

1 A. They were compensated --

2 MR. GULAY: Objection. Sorry.

3 Objection. And can you just clarify which
4 market makers we're talking about?

5 MS. STEWART: Well, I think his
6 last answer was generally about mark --
7 market makers during his time at Ripple so
8 I'm -- that's what I'm asking about.

9 A. I don't recall the specifics of any
10 particular market-making agreement, but, in
11 general, they were similar. And, in general,
12 they -- the compensation was an exchange for
13 fulfilling the agreement in its totality, not for
14 specific parts of the agreement.

15 Q. Is it fair to say that the focus of the
16 agreement was on trading pairs that included XRP?

17 MR. HORTON: Objection to form.

18 MS. BUNTING: Objection.

19 A. I would disagree with that.

20 Q. And why would you disagree with that?

21 A. Because I don't believe the focus was on
22 pairs that included XRP.

23 Q. Was there a focus?

24 MR. HORTON: Objection to form.

25 MR. GULAY: Objection.

1 MS. BUNTING: Objection.

2 A. No.

3 Q. So going back to PR-10 and looking at
4 the very bottom e-mail, which starts at the bottom
5 of the first page and runs to the second page,
6 which appears to be an e-mail from you to
7 Mr. [REDACTED], do you see that?

8 A. Yes.

9 Q. And you -- you say to Mr. [REDACTED] "As I
10 mentioned, government guidance has been sparse,
11 but here are two bitcoin-centric things that were
12 issued earlier this year."

13 Do you see that?

14 A. Yes.

15 Q. So this -- this suggests that you had an
16 earlier conversation with Mr. [REDACTED] is that
17 right?

18 A. I recall having a number of phone calls
19 with him and this e-mail implies that we had a
20 phone call prior to this e-mail, yes.

21 Q. Okay. And what did you discuss with
22 Mr. [REDACTED] on the -- on the subject of government
23 guidance being sparse?

24 A. I don't recall the specifics of our
25 conversations from 2013 apart from the fact that I

1 was providing a general overview of Ripple.

2 Q. You say in the next sentence "We
3 emphasize that Ripple is different from bitcoin in
4 many ways."

5 Do you see that?

6 A. Yes.

7 Q. Okay. What did you mean by that?

8 MR. GULAY: I just want to pause
9 here and ask Mr. Rapoport to answer
10 without revealing the substance of any
11 privileged communications he may have had
12 with Perkins Coie or other counsel.

13 BY MS. STEWART:

14 Q. And I would add to that the extent you
15 had passed on whatever communications you would --
16 you had had to third parties, like Mr. [REDACTED]
17 then I think your counsel would agree that you can
18 testify about those.

19 MR. GULAY: Well, no, I don't
20 agree with that. I think to the extent
21 your understanding of this language here,
22 that Ripple is different from bitcoin in
23 many ways, is derived from your
24 communications with counsel, then I would
25 instruct you not to testify.

1 BY MS. STEWART:

2 Q. Can you testify without revealing
3 communications with counsel?

4 A. Yes.

5 Q. Okay.

6 A. Can you repeat your question again?

7 Q. I want to know what you meant when you
8 wrote "I'd reemphasize that Ripple is different
9 from bitcoin in many ways."

10 A. I don't recall the specifics of this
11 conversation, but given the context of the e-mail,
12 I believe that this is referring to the fact that
13 bitcoin and XRP share similarities in being a
14 math-based digital asset; but the Ripple network
15 also includes IOUs or balances of iss -- of
16 issuers, which is unique to Ripple and not shared
17 by bitcoin, as well as a decentralized exchange
18 which bitcoin doesn't -- doesn't contain.

19 MR. TENREIRO: Before we move on,
20 I just want to create a record on this
21 because we're having this and we continue
22 to have this. You're instructing him not
23 to answer what counsel told him even if he
24 disclosed that to a third party?

25 MR. GULAY: No. We're talking

1 about the language in the e-mail here and
2 I think the question was what Mr. Rapoport
3 understood when he wrote that language.
4 And I'm -- I'm instructing him not to
5 testify to the extent that his
6 understanding of this language here
7 derives from his communications with
8 counsel.

9 MR. TENREIRO: But if he conveyed
10 his understanding of that language to a
11 third party, he can then testify to it,
12 right? Because he's disclosed it.

13 MR. GULAY: Well, no, I mean,
14 obviously he -- you know, he conveyed this
15 white paper to third parties, and you
16 know, the -- the white paper has been
17 produced and is not privileged. But,
18 like, to give you an example, to the
19 extent he had discussions with counsel
20 about this white paper and the preparation
21 of the white paper, we would assert
22 privilege over that.

23 MR. TENREIRO: Absolutely. But
24 if he disclosed the conversations with
25 counsel in conversations about the white

1 paper with the third party that's copied
2 in the e-mail, that's not privileged.

3 MR. GULAY: I just don't under --
4 I don't understand what that means,
5 though. Like, what's the scope of, you
6 know, the extent of, like, disclosing
7 conversations with counsel? I don't
8 understand.

9 MR. TENREIRO: The guy might have
10 asked him What did you mean by, you know,
11 bitcoin is different from XRP? And he
12 might have answered.

13 MR. GULAY: We're going to
14 instruct him not to answer.

15 MR. TENREIRO: You're going to
16 instruct him not to answer. Okay. We're
17 going to reserve our rights.

18 MR. GULAY: That's fine.

19 MR. TENREIRO: Okay. Go on. And
20 also -- I just want to also point out for
21 the record that there has been a limited
22 waiver on the Perkins Coie memos
23 themselves, so, you know, we should also
24 keep that in mind. But we obviously don't
25 agree with you that if he answered a third

1 party's question, What did you mean by
2 bitcoin is different than XRP? that that
3 conversation cannot be repeated here
4 because it's obviously not privileged.
5 But I -- I have your position. We
6 disagree.

7 MS. ZORNBERG: I'll just add
8 that, you know, we can take it on a
9 case-by-case basis. If you actually lay a
10 proper foundation for there being some
11 discussion between a third party, we're
12 happy to revisit it in the context of a
13 foundation being laid as to a particular
14 conversation. I do think it needs to be
15 done on a case-by-case basis.

16 MR. TENREIRO: That's fair.

17 MS. ZORNBERG: In any event, the
18 witness said that he could answer the
19 question without revealing legal advice
20 that Ms. Stewart put to him and he did.
21 So I don't think there's an issue for this
22 particular instance.

23 MR. TENREIRO: Okay.

24 BY MS. STEWART:

25 Q. Mr. Rapoport, was your statement here

1 that Ripple is different from bitcoin in many ways
2 related to the -- to the issue of government
3 guidance that you seem to be referring to in this
4 paragraph?

5 MR. GULAY: Same instruction
6 about your discussions with counsel.

7 A. I don't recall my intent and whether or
8 not there's a link between those sentences.

9 Q. Okay. I understand your testimony that
10 the technologies of bitcoin and -- and XRP are
11 different; but my question is, did you have an
12 understanding at this time, in 2013, that
13 regulatory guidance was different as to bitcoin
14 and XRP?

15 MS. BUNTING: Objection.

16 MR. GULAY: Same instruction
17 about discussions with counsel.

18 A. That's a very broad question. Because
19 Ripple as a technology includes balances issued by
20 an issuer, as well as a decentralized exchange, my
21 understanding was and is that there are inherently
22 additional considerations as a result of those
23 things from a regulatory perspective that don't
24 apply to bitcoin.

25 Q. And what are those additional

1 considerations?

2 MR. GULAY: Objection; foundation
3 and same instruction about discussions
4 with counsel.

5 A. I'm not a lawyer to really express that,
6 to answer that in a -- in a coherent way I think.

7 Q. Well, but you -- you say that you have
8 an understanding that there are differences.

9 So do you have any general sense of what
10 the differences are?

11 A. Well --

12 MS. BUNTING: Objection.

13 A. I generally understand that exchanges,
14 for example, have -- may have regulatory framework
15 applied to them. And if one technology has a
16 built-in exchange and one doesn't, there may -- I
17 understood that there may be other considerations
18 that would apply. But the specifics of those
19 considerations, I -- I don't profess to
20 understand.

21 Q. Okay. At the end of your -- your e-mail
22 to Mr. [REDACTED] you say "Also, in case it's of
23 interest to you, this law firm has established
24 itself as the early expert in these technologies."
25 And you send a link to the Perkins Coie website.

1 Do you see that?

2 A. Yes.

3 Q. Okay. And why did you send this link to

4 Mr. [REDACTED]

5 A. Back in 2013 there was a limited number
6 of law firms with domain expertise in the digital
7 asset space. And I think many people would find
8 it pretty daunting to get a friend -- you know, a
9 law firm without domain expertise in that area up
10 to speed to provide legal advice.

11 And so I found it -- I think people
12 found it helpful to be informed about which law
13 firms already had clients in the space and
14 familiarity with the space.

15 Q. So are you suggesting to Mr. [REDACTED]
16 that -- that his client, Mr. [REDACTED] engage
17 Perkins Coie?

18 MR. HECKER: Objection.

19 MR. GULAY: Objection.

20 A. I wasn't making any kind of
21 recommendation or suggestion.

22 Q. Okay. So, again, I'm not sure I
23 understand what the purpose is of -- of sending
24 Mr. [REDACTED] the Perkins Coie website link.

25 MS. BUNTING: Objection.

1 MR. HORTON: Objection to form.

2 MS. BUNTING: What's the
3 question?

4 BY MS. STEWART:

5 Q. I want to know why you sent to
6 Mr. [REDACTED] this link to the Perkins Coie website.

7 MR. HORTON: Objection; asked and
8 answered.

9 MR. GULAY: Objection. He
10 answered that question.

11 A. I believe I answered that question,
12 which is that I believed it helpful for someone
13 new to the space that would likely be seeking
14 legal representation about the space to be aware
15 of law firms that already had domain expertise in
16 the space.

17 Q. At the time you sent this e-mail, was
18 Perkins Coie counsel for Ripple?

19 A. I was not aware of which law firms were
20 officially engaged and not engaged by Ripple and
21 at what times. I was aware of this memo and other
22 similar memos, but that was the extent of my
23 knowledge of Ripple's dealings with Perkins Coie.

24 Q. So -- so fair to say at this time in
25 2013, you understood that Perkins Coie at some

1 point had been counsel to Ripple?

2 MR. HORTON: Objection to form.

3 A. It's -- let me actually correct that
4 because I did have phone calls at times with
5 legal -- with Ripple's outside counsel, but the
6 specifics of which counsel and what time are
7 difficult for me to remember given how much time
8 has passed.

9 Q. Okay. But at the time of -- of this
10 e-mail exchange in PR-10, did you have an
11 understanding that PR Coie -- that -- that Perkins
12 Coie had acted as counsel to Ripple at some point
13 in the past?

14 MR. HORTON: Objection to form.

15 A. Based on this memo, my -- it's a
16 reasonable assumption that -- that that Perkins
17 Coie was engaged by Ripple, and so that would have
18 been my assumption today and at the time.

19 Q. Okay. And -- and I take it that's
20 because the -- the -- the memo says "Perkins Coie"
21 on top?

22 MR. GULAY: Objection.

23 A. Correct, though this is an unusual
24 document that says who can I contact for questions
25 and includes both Patrick Griffin of Ripple Labs

1 and [REDACTED] of Perkins Coie, which isn't
2 typical of a legal memo.

3 Q. Okay. And why were you sending this
4 document entitled "White Paper" to Mr. [REDACTED]

5 A. I don't recall what my thought process
6 was back in 2013, but I believe that at a minimum,
7 this document would help familiarize someone new
8 to this space with what some of the key questions
9 may be as they begin an investigation into the
10 space.

11 Q. Did Ripple at any point sell XRP to
12 [REDACTED]

13 A. I don't believe so, but my recollection
14 is too fuzzy to say that definitively.

15 Q. Did Ripple at any point sell XRP to
16 Mr. [REDACTED] or any other company affiliated with
17 him?

18 MS. BUNTING: Objection.

19 MR. HORTON: Objection.

20 MR. GULAY: Objection. Just to
21 clarify, what time period are you talking
22 about?

23 MS. STEWART: At any point during
24 Mr. Rapoport's tenure.

25 MR. GULAY: Okay.

1 A. Same answer, which is I don't believe
2 so, but my recollection is too hazy to say
3 definitively no.

4 MR. TENREIRO: They're not
5 collated correctly.

6 MS. STEWART: Nicole, the -- the
7 next exhibit is PG-5 -- 6, sorry. PG-6.
8 That should be in a separate folder,
9 Nicole.

10 BY MS. STEWART:

11 Q. Okay. So for the record, I've handed
12 you a document that was previously marked as PG-6,
13 and it's Bates numbered RPLI_SEC 0337666 through
14 673.

15 (Pause)

16 A. Okay. I've reviewed this.

17 Q. Okay. What is this document?

18 A. I don't recall this document
19 independently, but based on the cover e-mail, it
20 appears to be a document that Patrick put together
21 to share with [REDACTED]

22 Q. Who is [REDACTED]

23 A. She's a [REDACTED] professor and [REDACTED]

24 [REDACTED] who was an advisor to
25 Ripple at various points in time.

1 Q. Was she an advisor to Ripple in 2013?

2 A. I'm not sure of her official status, but
3 she certainly provided informal advice to us on a
4 number of occasions.

5 Q. Okay. And from -- from Mr. Griffin's
6 cover e-mail to you, it -- it -- it -- it seems
7 that he intends to send this document to

8 [REDACTED]

9 Is that -- is that your understanding?

10 A. That's my understanding, yes.

11 Q. Okay. And what was the purpose of this
12 document that's attached to Mr. Griffin's e-mail
13 to you?

14 MR. GULAY: Objection;
15 foundation.

16 A. I don't recall the document, but from
17 reading it, it appears that it's a document aimed
18 at discussing distribution of XRP with [REDACTED]

19 Q. Do you remember discussing that issue
20 with [REDACTED]

21 A. I have a general recollection of
22 discussing that issue with her, yes.

23 Q. What's your recollection?

24 A. That we viewed her to be a very
25 intelligent thinker about systems and markets and

1 that we viewed her advice on those topics as very
2 valuable.

3 Q. And was this part of your and
4 Mr. Griffin's efforts to develop a distribution
5 strategy --

6 MS. BUNTING: Objection.

7 Q. -- for XRP?

8 A. We were interested in thinking about the
9 most effective ways to get XRP into the world and
10 distribute it.

11 Q. Okay. Was -- is it fair to say that
12 that was a distribution strategy?

13 MR. GULAY: Objection.

14 A. I think an overall strategy was
15 discussed at times that specific tactics were not
16 well defined and the company continued to
17 experiment for most all of my time there.

18 Q. Okay. Is it fair to say that you were
19 developing a distribution framework for XRP as --
20 as seems to be the title of this document?

21 MR. GULAY: Objection.

22 A. This was a discussion document from what
23 I can tell. And, yes, it appears to discuss a --
24 a framework around how the company could
25 distribute its XRP.

1 Q. Okay. Did you provide comments to
2 Mr. Griffin in this document?

3 A. I don't recall whether I provided
4 comments on this document. It's certainly a topic
5 we discussed at times.

6 Q. Okay. Do you remember discussing
7 this -- this deck, a draft of which is attached in
8 PG-6, with Mr. Griffin?

9 A. I don't remember this e-mail or this
10 deck given the amount of time that's passed.

11 Q. Okay.

12 MS. STEWART: Can we look at
13 PR-16 next?

14 (Whereupon, exhibit is presented
15 and marked SEC Rapoport Exhibit PR-16 for
16 identification.)

17 MS. STEWART: PR-16 is Bates
18 numbered RPLI_SEC 0012358.

19 (Pause)

20 A. Okay. I've reviewed this.

21 Q. Okay. Does this document refresh your
22 recollection that you provided comments to
23 Mr. Griffin on the deck that we were just looking
24 at?

25 A. I see the responses and they're clearly

1 from me, but I don't have a specific recollection
2 of -- of this e-mail.

3 Q. Okay. Looking at the top e-mail from
4 you to Mr. Griffin dated 11/30/2013 and looking
5 at, I guess the fourth bullet point, you say "We'd
6 prefer to attract speculators who take a long-term
7 view and believe XRP demand will overwhelm supply
8 as commercial use of the network increases."

9 Do you see that?

10 A. Yes.

11 Q. What did you mean by this sentence?

12 A. I was aware of the fact that some people
13 were speculating on the price of XRP. And given
14 the choice, I would have preferred people who took
15 a long-term view on that.

16 Q. Okay. So let's unpack that a little.

17 How were you aware that some people were
18 speculating on XRP?

19 A. Despite our efforts to focus
20 conversations on the protocol and not the digital
21 asset, as some of the e-mails you've already shown
22 indicate, at times people would e-mail us
23 indicating that they're speculating on the price
24 of XRP or speak to us or -- you know, along that
25 topic.

1 Q. And why is it that you preferred
2 speculators who took a long-term view?

3 A. Parsing this sentence, and I don't
4 recall what my thought process was when I wrote
5 this, but it appears that I'm referring to -- the
6 second sentence here says "If you believe 500
7 million people will eventually use Ripple, then
8 there's far less concern of an XRP supply
9 overhang." And that refers to a concern that was
10 in the marketplace about -- not specific to
11 Ripple, but that applied to Ripple, a concern
12 about one holder holding a large amount of a
13 digital asset.

14 And so I interpret this comment to be
15 that you would not have that concern if you took a
16 very long-term view of the protocol and what may
17 become of the protocol. You would not be
18 concerned about the supply overhang from one large
19 holder -- in this case Ripple -- holding a digital
20 asset.

21 Q. Okay.

22 MS. ZORNBERG: And Ripple there,
23 you're talking about Ripple Labs?

24 THE WITNESS: I'm talking about
25 Ripple Labs, excuse me.

1 BY MS. STEWART:

2 Q. Okay. The next bullet, you say "Good BD
3 giveaways" will result -- "will result in more
4 demand than supply. The announcement of the
5 giveaway/partnership should generate demand."

6 Do you see that?

7 A. Yes.

8 Q. Okay. What -- what did -- what does "BD
9 giveaways" mean as you use it in the sentence?

10 A. "BD" refers to business development and
11 "giveaway" refers to the business development team
12 making a grant of XRP to somebody or some company.

13 Q. Okay. And when you say "The
14 announcement of the giveaway/partnership should
15 generate demand," are you referring to any
16 particular announcement or to announcements of
17 giveaways and partnerships in general?

18 A. That's a general comment.

19 MR. GULAY: Objection.

20 Q. Okay. So you -- you mentioned that you
21 were aware from e-mails, like some of the ones
22 we've looked at already, that certain people
23 were -- were speculating on XRP.

24 Do you remember that?

25 A. Yes.

1 Q. Okay. Do you recall receiving e-mails
2 or having conversations with -- with particular
3 individuals or firms about them speculating on
4 XRP?

5 MS. BUNTING: Objection.

6 A. I was generally aware -- I recall being
7 generally aware of that fact, but I don't recall
8 specific discussions, you know, from seven years
9 ago about it.

10 Q. Do you recall discussions internally at
11 Ripple about individuals or firms who were
12 speculating on XRP?

13 A. I recall a specific desire to focus our
14 discussions on the technology itself and away from
15 speculation on an XRP.

16 Q. And why is that?

17 A. Because we viewed speculation on XRP to
18 be a distraction from the core technology and the
19 use of the core technology.

20 Q. But is it fair to say that speculation
21 was also helpful in building liquidity for XRP?

22 MR. HORTON: Objection to form.

23 MS. BUNTING: Objection.

24 A. Building liquidity means getting more
25 volume. So anything that gets more volume is

1 helpful to building liquidity. And so speculator
2 trading creates volume, so, yes.

3 Q. Okay.

4 MS. STEWART: Let's look at a
5 document we've previously marked as PG-5.

6 Nicole, that's also in a
7 separate folder.

8 And for the record, PG-5 is
9 Bates numbered RPLI_SEC 0012359 through
10 12368.

11 (Pause)

12 A. Okay. I've reviewed it.

13 Q. Okay. Is it fair to say that the
14 attachment to PG-5 reflects some of the comments
15 you gave Mr. Griffin in the last exhibit we looked
16 at?

17 A. I see some of the same language
18 included, yes.

19 Q. Okay. So do you recall a conversation
20 with Ms. Athey after Mr. Griffin sent her this
21 deck in PG-5?

22 A. I don't -- I -- I generally remember
23 speaking with Ms. [REDACTED] at various points in time,
24 but I don't remember the specific discussion or
25 anything about it.

1 Q. Okay. The cover e-mail in PG-5
2 references "Thank you for your time here. We
3 really value your input. As promised, here is a
4 summary of the themes we touched on during our
5 call on Wednesday."

6 Just to -- just to make sure, do you
7 remember the call that's referenced here with
8 Ms. [REDACTED]?

9 A. I don't.

10 Q. Okay. So looking at the -- at the deck,
11 on page -- on the second page of the -- of the
12 deck, which is Bates numbered on the bottom 12362,
13 where the title is "Goal of Distribution," do you
14 see that?

15 A. Yes.

16 Q. Okay. And there's two bullets under
17 there. The first is "Network growth."

18 Do you see that?

19 A. Yes.

20 Q. And what does that mean?

21 A. This is such a sparse slide that I would
22 be guessing as to the meaning of -- you know, the
23 meaning that Patrick ascribed to this when he
24 wrote it.

25 Q. Well, the -- the second bullet says

1 "Raise funds for Ripple Labs operation."

2 Do you see that?

3 A. Yes.

4 Q. Okay. What does that mean to you?

5 MR. GULAY: Objection;

6 foundation. And just to clarify, what

7 does it mean to him sitting here today or

8 what did it mean to him at the time?

9 BY MS. STEWART:

10 Q. Well, let's start with at the time that
11 you reviewed and commented on it.

12 What -- what did this mean to you?

13 A. This was almost eight years ago and, you
14 know, one month into my tenure at the company.
15 I -- I really don't remember any specifics about
16 this interaction apart from what I'm looking at
17 today that you just showed me.

18 Q. Okay. Do you recall at the time, in
19 2013, having an understanding that one of the
20 goals of distributing XRP was to raise funds for
21 the operations of Ripple Labs?

22 A. I was aware that the company received
23 revenue from the sale of XRP, yes.

24 Q. Okay. But -- but -- but I guess my
25 question is a little bit different.

1 Did you have an understanding that one
2 of the reasons that the company sold XRP was
3 specifically to raise money to fund its
4 operations?

5 MS. BUNTING: Objection.

6 A. I was aware that the company received
7 venture funding and also that the company took in
8 dollars from the sale of XRP. I did not have
9 visibility or I do not recall having visibility
10 into the financial health of the firm and whether
11 this was required to fund operations or for other
12 reasons.

13 Q. Okay. Did you have an understanding in
14 2013 that one of the goals of distributing XRP was
15 to grow the Ripple network?

16 A. Yes.

17 Q. Okay. And is it fair to say that the
18 bullet here "Network growth" refers to growing the
19 Ripple network?

20 A. I think that seems like a reasonable
21 assumption, yes.

22 Q. Okay. Moving on to the next page, which
23 is Bates numbered 363 at the end, and this refers
24 to three phases of Ripple -- of Ripple's long --
25 I'm sorry. Let me start again.

1 The title of this page is "Long-term
2 Stages of Ripple."

3 Do you see that?

4 A. Yes.

5 Q. And three phases are referenced here?

6 A. Yes.

7 Q. Okay. Did you discuss these phases with
8 Mr. Griffin?

9 A. I don't have any recollection of whether
10 we discussed it, but this e-mail implies that I
11 read this document and provided some feedback and
12 that a discussion with Susan was had.

13 Q. Okay. Phase 1, it says here, is titled
14 "Speculatively valuable."

15 Do you see that?

16 A. Yes.

17 Q. And it says "In this stage, XRP is new
18 and few adopters. XRP is valuable among
19 speculators."

20 Do you see that?

21 A. Yes.

22 Q. Okay. In 2013 what phase of these three
23 phases was Ripple in?

24 MR. GULAY: Objection.

25 A. I don't know that I'd characterize these

1 three phases from a discussion document as a
2 necessarily accurate depiction of the trajectory
3 of anything.

4 Q. Okay. Well, let me ask you, looking at
5 these three phases now, are these accurate? Are
6 these accurate descriptions of the trajectory of
7 the Ripple network?

8 MR. GULAY: Objection.

9 A. I would not describe -- use this
10 framework to describe Ripple.

11 MR. GULAY: Just to clarify, are
12 you referring to Ripple Labs or Ripple
13 network?

14 A. I would not use this framework to
15 describe anything.

16 Q. Okay. In this document, when it says
17 "Long-term Stages of Ripple," what does "Ripple"
18 mean?

19 MR. GULAY: Objection;
20 foundation.

21 A. I believe it refers to the network, but
22 it's a bit ambiguous.

23 Q. Okay. So your testimony is that you
24 don't think what's -- the phases that are listed
25 here is an accurate description of the Ripple

1 network?

2 A. I don't view this as a particularly good
3 framework of anything.

4 Q. Okay. Do you agree that in 2013 XRP was
5 new and had few adopters?

6 A. Yes.

7 MS. BUNTING: Objection.

8 Q. And do you agree that in 2013, XRP was
9 valuable among speculators?

10 A. What does "valuable" mean in this
11 context?

12 Q. Well, I'm -- I'm reading the words in
13 the document that you and Mr. Griffin prepared.
14 So in the context --

15 MR. HECKER: Objection.

16 MR. GULAY: Objection. Just to
17 clarify his testimony, he said he did not
18 prepare the presentation.

19 Q. Okay. But you reviewed and commented on
20 the presentation, right?

21 MR. HORTON: Okay. Counsel, I
22 also want to object. The document doesn't
23 say that XRP is valuable among speculators
24 in 2013.

25 MS. STEWART: Well, I'm -- the

1 question I'm trying to understand is I
2 want to know at the time that -- that this
3 document was prepared, what phase did
4 Mr. Griffin and Mr. Rapoport believe that
5 the company -- or that Ripple -- the
6 Ripple network was in.

7 BY MS. STEWART:

8 Q. So you're saying that you don't agree
9 with these phases. So I'm trying to ask the
10 question in a slightly different way and ask you
11 whether in 2013 XRP was valuable among
12 speculators.

13 MR. GULAY: Objection; asked and
14 answered.

15 MS. BUNTING: Objection.

16 MR. HORTON: Objection.

17 You can answer the question.

18 A. If we take a dictionary definition of
19 valuable as something that -- I don't have a
20 dictionary in front of me, but something that
21 people will exchange money for, I think XRP had
22 some value to some people and those people were
23 primarily speculators or people who were -- sought
24 to use the network for other purposes, that they
25 would be required to purchase some XRP in order to

1 use the network. And that would be reasons that
2 someone would ascribe a monetary value to a
3 digital ledger entry.

4 Q. Okay. In 2013 were there people who
5 used the Ripple network?

6 A. Yes.

7 Q. Okay. For what purposes?

8 MR. GULAY: Objection;
9 foundation.

10 A. I'm not a -- I can't say definitively
11 all the purposes, but certainly people used the
12 Ripple network from a technologist experimenting
13 perspective as well as for exchanging one asset
14 for another type of asset. For example,
15 exchanging bitcoins for dollars.

16 Q. Okay. Looking at the next page of this
17 presentation, which is Bates numbered 364, where
18 the header is "Goal of XRP Allocations," do you
19 see that?

20 A. Yes.

21 Q. Okay. And do you see the first bullet
22 that says "Biggest goal is existential"?

23 A. Yes.

24 Q. Okay. What does that mean?

25 MR. GULAY: Objection; vague.

1 A. I'm -- I'm not sure what that means to
2 be honest.

3 Q. The second bullet that says "Reason for
4 doing anything is to grow the network," do you see
5 that?

6 A. Yes.

7 Q. What does that mean?

8 MR. GULAY: Objection.

9 A. I'm -- I'm not really sure what that
10 means specifically. It's a very broad statement
11 that seems poorly crafted.

12 Q. Do you recall when you initially
13 reviewed this presentation asking Mr. Griffin
14 what -- what these bullets meant?

15 A. This appears to be one or two months
16 into my employment reporting to Mr. Griffin, and
17 so the nature of my comments was a subordinate
18 responding to, you know, the person they report
19 to. So I wouldn't necessarily critique the -- you
20 know, parse every single sentence in the way that
21 I think you're suggesting.

22 Q. Okay. The next bullet, it says "Phase
23 1: Striking partnerships for inorganic growth,"
24 and underneath that it says "Distribution is for
25 business development."

1 Do you see that?

2 A. Yes.

3 Q. Okay. What does that mean?

4 MR. GULAY: Objection.

5 A. It seems to generally refer to a
6 strategy of distributing XRP to companies that aid
7 in the business development of -- in the
8 development of the Ripple network.

9 Q. And -- okay.

10 The -- the next bullet says "Any
11 currency strategy should be geared to making Phase
12 2, 3, more successful."

13 Do you see that?

14 A. I do.

15 Q. And what does that refer to?

16 MR. GULAY: Objection.

17 If you know.

18 A. I don't know. And, again, my -- my
19 feedback on this was limited to the nature of
20 feedback a subordinate would give to his new boss.
21 So I didn't pick apart every single bullet even if
22 I didn't fully understand what it meant after two
23 months at the company or however many months in
24 this was.

25 Q. Okay. Going on to two pages later,

1 12366 that says "Current Distributions" on top.

2 A. Yes.

3 Q. The first bullet says "There are ways to
4 increase supply that create a bigger increase in
5 demand." And under it it says "Good BD giveaways
6 will result in more demand than supply. The
7 announcement of the giveaway/partnership should
8 generate demand."

9 Do you see that?

10 A. Yes.

11 Q. Is this the idea that you had given
12 Mr. Griffin in the last exhibit that we looked at?

13 A. Yes, this looks like the same language
14 from my e-mail.

15 Q. Okay. And then moving on to the next
16 page, Bates numbered 2367, that's titled
17 "Speculators."

18 Do you see that?

19 A. Yes.

20 Q. So do you see the first bullet, it says
21 "We'd prefer to attract speculators" who -- "who
22 take a long-term view and believe XRP demand will
23 overwhelm supply as commercial use of the network
24 increases"?

25 A. Yes.

1 Q. Is that also an idea that you had given
2 Mr. Griffin in your comments?

3 A. Yes, it looks like the same language.

4 Q. Okay. And then you see the -- the third
5 bullet, it says "If you are holding XRP, you
6 should not want RL to retain XRP for business
7 development."

8 Do you see that?

9 MR. HECKER: Objection.

10 MR. HORTON: Objection. Counsel,
11 it doesn't say "you should not want."

12 MS. STEWART: Oh, I'm sorry.

13 Thank you. I'll -- I'll rephrase that.

14 BY MS. STEWART:

15 Q. It says "If you are holding XRP, you
16 should want RL to retain XRP for business
17 development."

18 Do you see that?

19 A. Yes.

20 Q. What does this sentence mean?

21 MR. GULAY: Objection.

22 If you know.

23 A. I'm not sure what Patrick meant by this
24 sentence.

25 Q. What about the bullet under that says

1 "Give ourselves six months"? Do you know what
2 that means?

3 A. I'm not sure what that refers to.

4 Q. What about the bullet under that that
5 says "Speculators are speculating on Ripple Labs."

6 Do you know what that means?

7 MR. HORTON: Objection to form.

8 A. I'm not sure what that's referring to.

9 Q. Is it fair to say that someone who buys
10 XRP for speculative reasons is speculating that
11 Ripple Labs will do better and therefore XRP will
12 do better?

13 MS. BUNTING: Objection.

14 MR. GULAY: Objection to form.

15 A. I think somebody buying equity in Ripple
16 Labs, Inc. would be betting that Ripple Labs will
17 do better. I think someone buying XRP may or may
18 not be betting that Ripple Labs will do better.

19 Q. Is it fair to say someone who is buying
20 XRP for speculative reasons is looking to Ripple
21 Labs to take steps to increase the price of XRP?

22 MR. HORTON: Objection to form.

23 MS. BUNTING: Objection.

24 A. No, I don't believe that's true.

25 Q. Okay. In your conversations with the

1 individuals and firms that you were looking for
2 partnerships with, did you have discussions about
3 what steps Ripple Labs would take in increasing
4 XRP's liquidity?

5 MR. HORTON: Objection to form.

6 MS. BUNTING: Objection.

7 A. In a general sense, yes, we discussed
8 the fact that people were aware of the fact that I
9 was having discussions with other firms, similar
10 discussions with other firms, trying to recruit
11 and onboard them to provide liquidity.

12 Q. Okay. And is that something that was --
13 was important to the individuals and firms that
14 you were in discussions with?

15 MR. HORTON: Objection to form.

16 MS. BUNTING: Objection.

17 A. Liquidity overall was important to those
18 firms and at times liquidity was appearing in
19 other places, like Korea, for example, without my
20 efforts or involvement, and -- but certainly they
21 valued my efforts and involvement as well.

22 Q. Is it fair to say that they were looking
23 to Ripple to make those efforts and have that
24 involvement in increasing liquidity in the XRP
25 market?

1 MR. HORTON: Objection to form.

2 MS. BUNTING: Objection.

3 A. I don't think they believed that Ripple
4 exclusively was responsible for building liquidity
5 in the network.

6 Q. Okay. But putting aside whether Ripple
7 was exclusively responsible for that, were they
8 looking to Ripple to provide -- to take steps to
9 provide that liquidity?

10 MR. HORTON: Objection to form.

11 MS. BUNTING: Objection.

12 A. I'm not sure what they were looking for.
13 They were aware that I was doing that.

14 Q. Did they ask you questions about what
15 steps Ripple was taking to provide liquidity?

16 A. I don't recall if they asked me
17 questions about that.

18 Q. Did you provide updates on what steps
19 Ripple was taking to provide liquidity?

20 MR. HORTON: Objection to form.

21 A. I did provide updates on important
22 developments in the marketplace.

23 Q. Including what Ripple was doing to
24 provide liquidity?

25 MR. HORTON: Objection to form.

1 A. When appropriate, those included things
2 that Ripple was doing, yes.

3 Q. And did you provide those updates
4 because you believed that that was information
5 that the individuals and firms you were
6 interacting with would want to know?

7 MR. GULAY: Objection.

8 A. I believe that those individuals and
9 firms were interested in staying apprised of
10 market developments broadly, and so my updates to
11 them would have included relevant things that I
12 viewed as material, whether or not they included
13 Ripple Labs and sometimes they did include Ripple
14 Labs.

15 Q. Okay.

16 MS. STEWART: Nicole, the next
17 exhibit is PR-4.

18 (Whereupon, exhibit is presented
19 and marked SEC Rapoport Exhibit PR-4 for
20 identification.)

21 MS. STEWART: And for the record,
22 PR-4 is Bates numbered RPLI_SEC 0012819
23 through 821.

24 (Pause)

25 A. Okay. I've reviewed this.

1 BY MS. STEWART:

2 Q. Okay. So looking at the -- the bottom
3 e-mail in this chain, which is an e-mail from --
4 from [REDACTED] do you see that?

5 A. Yes.

6 Q. And who is [REDACTED]

7 A. She was an employee at the company that
8 worked in product.

9 Q. Okay. And -- and do you see her e-mail
10 starts "Hey, Patrick, in the giveaway doc you
11 mentioned the 4 V's we need to track for each of
12 the giveaways - volume, velocity, volatility,
13 valuation." Do you see that?

14 A. Yes.

15 Q. Okay. Do you recall what the "giveaway
16 doc" is?

17 A. I don't recall what that is.

18 Q. Okay. I think we talked about this
19 briefly a little while ago, but did Ripple from
20 time to time give away XRP?

21 A. Yes.

22 Q. Okay. And those were called giveaways?

23 A. Yes.

24 Q. Okay. So what is a giveaway?

25 A. In the sense it was used at Ripple Labs

1 at the time, it was a distribution of XRP from
2 Ripple Labs to a group of market participants,
3 sometimes indiscriminately for anyone signed up,
4 and sometimes as a specific incentive for
5 something, like signing up for a new account or
6 some other goal.

7 Q. Okay. When it was done
8 indiscriminately, as you said, what was the
9 purpose of it?

10 A. To get XRP into the hands of more people
11 and off Ripple's balance sheet.

12 Q. Okay. And what was the benefit to
13 Ripple of getting the XRP into the hands of more
14 people, if any?

15 MR. GULAY: Objection;

16 foundation.

17 A. In my understanding, given that a user
18 needs a small amount of XRP as an anti-spam
19 mechanism to use the network and given that Ripple
20 Labs had a goal of more people using the network
21 for utility, it was necessary for XRP to be
22 distributed into the hands of -- of people other
23 than Ripple Labs.

24 Q. Was one of the goals of the giveaways to
25 increase XRP's liquidity?

1 MR. GULAY: Objection.

2 A. The goal of certain types of giveaways
3 was to increase the liquidity of XR -- the
4 liquidity on the Ripple network, broadly speaking,
5 including XRP.

6 Q. Okay. What types of giveaways were
7 intended to do that?

8 A. It's debatable if this is called a
9 giveaway, but we compensated market makers in
10 exchange for providing quotes on the network and
11 we did that because we wanted to increase the
12 liquidity of the assets on the network.

13 Q. Okay. And why -- why do you say that
14 it's debatable if that's a giveaway?

15 A. I think in colloquial terms at the
16 company that may have been referred to as a
17 giveaway even though that's technically
18 compensation for something, for providing a
19 service, market making.

20 Q. Okay. Other than the compensation to
21 market makers, were there other giveaways that
22 were intended to increase the liquidity of XRP?

23 MR. GULAY: Objection.

24 A. There were a number of different
25 giveaway strategies employed while I was there and

1 I wasn't always party to the goals of what that
2 strategy was; so there were some giveaways that
3 were intended to increase liquidity in the
4 marketplace and there were others with presumably
5 other goals irrespective of liquidity.

6 Q. Okay. Can you recall any giveaways
7 where goals were to increase liquidity of XRP?

8 MR. HORTON: Objection to form.

9 A. Apart from the market maker compensation
10 that I mentioned, I can't recall others.

11 Q. Okay. Going back to the document PR-4,
12 I want to look at your e-mail, which is on the
13 second page of the document, that's dated October
14 13, 2013, where it starts "Hi [REDACTED]"

15 Do you see that?

16 A. Yes.

17 Q. Okay. So you say here, "Generally
18 speaking, I think a successful giveaway will have
19 at least one of two factors: One, the XRP that
20 was given away has high velocity, i.e., it gets
21 traded around between many accounts, presumably
22 getting more users involved in Ripple and also
23 improving network volumetrics."

24 Do you see that?

25 A. Yes.

1 Q. Okay. What did you mean by this?

2 A. I think the sentence is clear. Is there
3 something that should be clarified?

4 Q. Okay. I'll ask a more specific
5 question. That's fine.

6 Was -- was -- was the point that you
7 were making here that the -- the giveaway would
8 increase the volume of XRP on the network?

9 MR. GULAY: Objection.

10 A. I had a view that a successful giveaway
11 would increase the volume or improve liquidity.
12 So the way you phrased the last question, I don't
13 view many of the giveaways as having achieved
14 that -- that goal.

15 Q. You don't view many of -- of Ripple's
16 give -- giveaways as having achieved the goal of
17 increasing liquidity?

18 A. Correct.

19 Q. Okay. And -- and why -- why -- why is
20 that?

21 A. The XRP that was given away did not have
22 high velocity or get traded around between many
23 accounts in my view, my understanding.

24 Q. What does it mean, it "did not have high
25 velocity"?